

**MINUTES**

**MONTANA SENATE  
58th LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON BUSINESS AND LABOR**

**Call to Order:** By **CHAIRMAN DALE MAHLUM**, on January 9, 2003 at 9 A.M., in Room 422 Capitol.

**ROLL CALL**

**Members Present:**

Sen. Dale Mahlum, Chairman (R)  
Sen. Mike Sprague, Vice Chairman (R)  
Sen. Sherm Anderson (R)  
Sen. Vicki Cocchiarella (D)  
Sen. Kelly Gebhardt (R)  
Sen. Ken (Kim) Hansen (D)  
Sen. Sam Kitzenberg (R)  
Sen. Glenn Roush (D)  
Sen. Don Ryan (D)  
Sen. Carolyn Squires (D)

**Members Excused:** Sen. Bob Keenan (R)  
Sen. Fred Thomas (R)

**Members Absent:** None.

**Staff Present:** Sherrie HandeL, Committee Secretary  
Eddy McClure, Staff Attorney, Legislative  
Services Division

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: SB 143, 12/30/2002; SB 152,  
12/30/2002; SB 125, 12/30/2002  
Executive Action: None

***{Tape: 1; Side: A}***

**HEARING ON SB 125**

**Sponsor:** SEN. JON TESTER, SD 45, BIG SANDY

**Proponents:** Brenda Elias, Deputy Securities Commissioner, State Auditor's office; Riley Johnson, National Federation of Independent Businesses; Tom Wells, attorney; John Oitzinger, lawyer; George Metcalf, Ventures International, Inc.

**Opening Statement by Sponsor:**

**SEN. TESTER** opened by saying that raising capital is critical to start businesses in this state and for expanding business. He commented that economic development is critical if we are to get out of our current financial problems on a long-term basis. **SEN. TESTER** remarked that this bill facilitates capital formation in Montana because it reduces some of the regulation. It is a balancing act between regulation for start-up businesses and expanding businesses and acquiring dollars to do that expansion or start up. It encourages economic development by promoting capital formation and reduces costs for these Montana-based companies selling securities in the areas of attorney fees, accounting fees, regulatory fees and printing expenses. While Montana-based companies would be allowed to raise an unlimited amount of money under this exemption, they would have to limit it to only 35 offers. Sales people could not receive commissions on the offers; otherwise, companies would not be eligible for the exemption. The bottom line is that the money would go straight to what we want it to do and that is to start up businesses or expanding existing businesses. **SEN. TESTER** went on to explain the "meat" of the bill is in Section 3. He stated that if SB 125 is not passed, the person who goes out with ten offers to raise capital and are unable to get the capital, they are sunk. They can't go back because they've started the process and the law doesn't allow them to contact more investors. The bill would allow them to expand their offers. **SEN. TESTER** closed by saying that SB 125 would allow businesses to obtain capital easier and with less regulation through raising the maximum number of offers to 35.

**Proponents' Testimony:**

**Brenda Elias, Deputy Securities Commissioner, State Auditor's office,** told committee members that in addition to regulating insurance, the State Auditor regulates securities, **EXHIBIT (bus04a01)**. She gave the committee some background about securities and related that SB 125 deals with an exemption from registration of the security itself. She relayed that the Securities Act in Montana has many exemptions from registration and this one proposed would expand one of those exemptions. The reason for exemptions in the Securities Act is because there had been a determination that registration of the security is not necessary. None of the securities that are traded on the New

York Stock Exchange have to be registered with her department.

**Ms. Elias** shared that her department is proposing SB 125 to expand one of the already existing exemptions and would only expand it for Montana companies. Several attorneys approached her department and expressed concern that some Montana issuers were inadvertently violating the law. She went on to explain the sections of the bill. **Ms. Elias** noted that it was important to know that investor protection would still be present in the bill. Montana issuers and companies would be required to comply with the anti-fraud provisions of the Securities Act. She said that full disclosure is anything that an investor would need to know in order to make an informed decision about whether or not to buy a security. While the registration aspect would be removed, her office would still have jurisdiction over anti-fraud. Only Montana-based companies would be allowed to take advantage of exemptions. She further noted that her department would not object to an amendment to be brought forward by an attorney present at the hearing.

**Riley Johnson, National Federation of Independent Businesses**, rose in support of the bill and said it's a matter of capital. It would allow businesses up to 35 solicitations, which he feels is reasonable.

**Tom Wells, attorney** from Bozeman, works with small companies he claimed suffer under the law as it now stands. He shared that Montana is not the easiest place to raise money given the present laws and legal structure. **Mr. Wells** compared investing in Montana to investing in the New York Stock Exchange, which does not look that attractive anymore and explained changes he was proposing, **EXHIBIT (bus04a02)**.

**John Oitzinger, lawyer** from Helena, said this bill eliminates a trap where there are inadvertent violations of the law. His personal preference would be to have a bill based on the number of actual buyers of the security rather than offerees. He addressed his concerns about the law as it now stands and the amount of litigation that comes out of it.

**George Metcalf, Ventures International, Inc.**, a Montana-registered company, said his company is currently dedicated to the endeavor of trying to bring more Montanans into the initial stages of capital investment of promising ventures prior to trying to bring in outside capital, particularly equity, in order to try to engender some degree of control and benefit by the small to medium businesses that he attempts to merge in Montana in order to sustain Montana ownership, jobs, etc. He explained that he thinks the bill is a very positive step that would allow him to do two things. The first example was that it would allow

him to coalesce Montana investors for specific business-driven objectives both in terms of merging their businesses to strengthen them so they can access markets here as well as outside the state. Secondly, it would help him considerably to demonstrate that Montanans do have the capability to be involved in such investments and willingness to take the risk. He reiterated that it would help him entice outside capital. He then requested several changes. The first was on lines 17-20 on page 2. He asked that it be changed to read immediately after "profit sharing trust," to "accredited investors as defined in Regulation D of the 1933 Securities and Exchange Act." His reasoning for this change was that most other states in the general practice of capital raising normally deal with accredited investors, individuals whose annual incomes exceeds 250K dollars and/or whose net worth exceeds 1M dollars.

**{Tape: 1; Side: B}**

**Mr. Metcalf's** next change was under Section 8a. He recommended on line 21, page 2 the change should read, "a transaction pursuant to an offer made in this state by the offeror accepted by not more than 10 persons..." **Mr. Metcalf's** next suggestion for change were in Section 8b, lines 28 and 29. He asked that it read, "a transaction pursuant to an offer made in this state by the offeror accepted by not more than 25 persons..." He claimed the spirit and intent of the act wouldn't change. What it would do would make it far more certain for him to confirm with local investors where they stand in the offering. **Mr. Metcalf's** last change was Section 9b on page 3, line 28. He asked that the number of subscribers not exceed 35 rather than the 25 presently stated.

**Questions from Committee Members and Responses:**

**SEN. RYAN** questioned **Ms. Elias** about the difference between offerees and buyers. **Ms. Elias** answered that, although she wasn't aware of the suggestions made, the exemption provides for offerors. She said Montana's act is a uniform act and in other states, a similar exemption is based on offeror and not purchaser or buyer. She noted that a similar bill was offered last session and there was some concern expressed about it being opened up too much. That bill contained the word, "buyers." **Ms. Elias'** office made the decision to pull back and limit it to offerors to make it consistent with the rest of the exemption. She reiterated for **SEN. RYAN** that the purpose of this exemption is for small companies raising capital in the early stages. The individuals making these offers are typically close to the corporation, on the board or perhaps top officers of the company. Their desire is to have individuals and investors who know about the company,

who have adequate capital and net worth. It's important for the individuals making the offers to know their investors, to know whether or not they have the means to invest in this particular corporation. By knowing that, they have a better understanding about the individual's ability to accept or decline the offer.

**Ms. Elias** concluded that it boils down to concern about investor protection and not opening this up too much to buyers.

**SEN. SPRAGUE** asked **SEN. TESTER** to discuss the amendments put forth by **Mr. Wells**. **SEN. TESTER** shared that he is somewhat hesitant to go to the buyers and open it up that much wider. He reminded the committee of his opening comments in which he spoke of balance, that this is an exemption and the goal is to make sure investors are protected. **SEN. SPRAGUE** inquired if **SEN. TESTER** recommend that the committee clear the bill in its entirety excluding the recommendations. **SEN. TESTER** recommended that the committee include **Mr. Wells'** amendments.

**SEN. MAHLUM** directed comments to **SEN. TESTER** regarding bringing his amendment in and asked him who he wants on the sub-committee. **SEN. TESTER** shared that **SEN. KITZENBERG** offered to do it.

**Closing by Sponsor:**

**SEN. TESTER'S** closing was included in his response to **SEN. MAHLUM**.

**HEARING ON SB 143**

**Sponsor:** **SEN. JOHN BOHLINGER, SD 7, BILLINGS**

**Proponents:** Jill Gerdrum, State Auditor's office; Aidan Myhre, Governor's Task Force on Philanthropy; John Scibek, Director of Pledge Giving, University of Montana Foundation; Linda Reed, Executive Director, Montana Community Foundation; Pat Callbeck-Harper, Associate Director, AARP Montana; Mike Munck, Executive Director, Independent Insurance Agents of Montana.

**Opponents:** Roger McGlenn, Executive Director, Independent Insurance Agents of Montana; Jacqueline Lenmark representing American Council of Life Insurers and American Insurance Association; Don Allen, Montana Association of Insurance and Financial Advisors.

**Opening Statement by Sponsor:**

**SEN. BOHLINGER, SD 7, BILLINGS**, opened by saying that Montana is a state without a lot of deep pockets. Most grew up in families

of modest means with parents who worked hard to provide for them. After contributing to church on Sunday, there was little money left for charity. He said his generation prospered. Their financial lives have been made a little more secure and they have been able to provide financial resources to charities of their choice. From his perspective as a 10-year veteran of the Montana Legislature, he professed his belief that one of the best pieces of legislation on which he had the opportunity to work and vote came when tax incentives were established for charitable gift annuities. **SEN. BOHLINGER** defined a charitable gift annuity as a payment of cash, securities or property by an individual to a charitable organization in return for an annual payment for life. He continued by saying there are two basic benefits to the donor who establishes such an annuity. Firstly, it provides for an immediate tax deduction, and it also treats in a favorable way the annuity benefit. At the time of death of the person or couple who establishes such a trust, the asset value of these funds is disbursed to the charity or charities of the donor's choice. Under present law, charitable organizations that sell gift annuities need to be licensed as an insurance company and have their products approved by the Montana Insurance Department. The Montana Insurance Department does not want to unreasonably restrict a valuable source of income to Montana charities by requiring them to be licensed insured. **SEN. BOHLINGER** shared that this is the reason the State Auditor proposed SB 143 to provide charities with a valuable fund-raising tool while keeping strong consumer protection measures in place. He continued by saying that SB 143 exempts charitable gift annuities from regulation by the insurance department provided they are issued by a qualified charity and that proper notices have been given. **SEN. BOHLINGER** listed the ways this bill creates an exemption from insurance regulations for charities meeting the following criteria: 1) The charitable organization must file a notice with the State Auditor's office if they intend to issue qualified charitable gift annuities; 2) The organization must have an IRS non-profit status such as a 501c(3) for at least three years; 3) The organization must have a minimum of 300K dollars net worth or a minimum of 100K dollars in unrestricted cash and maintain a separate annuity fund with at least one-half the value of the initial amount transferred for outstanding annuities; 4) When entering into an agreement for a qualified charitable gift, the organization must disclose in writing that the annuity is not an insurance product. **SEN. BOHLINGER** emphasized that, by adopting SB 143, we would be doing what 33 other states have done. To date, there have been no reports of charitable gift annuity fraud in Montana, but the North American Securities Administrators Association ranks charitable gift annuity fraud eighth among its top ten investment scams. **SEN. BOHLINGER** stated that the Governor's Task Force on Charitable Gift Annuities publicly

announced that this bill is a reasonable piece of legislation because it will facilitate the activity of charitable gift annuities in our state; that is, it will encourage more active philanthropy in our state.

**{Tape: 2; Side: A}**

**Proponents' Testimony:**

**Jill Gerdrum, State Auditor's office**, stated that for the past year, her office has worked on this bill with charities throughout Montana and that the bill provides clarification on laws regulating charitable gift annuities, **EXHIBIT (bus04a03)**, **EXHIBIT (bus04a04)**. Current law requires charities to license as insurance companies and meet all other requirements under Title 33. But, she said, charitable gift annuities are not traditional insurance plans. **Ms. Gerdrum** shared that this bill allows exemptions for legitimate charities that have the business and financial capabilities to offer annuities. She claimed that SB 143 would protect Montana consumers by requiring charities to register with her department and provide documentation that ensures they meet the necessary criteria. Other states have seen abuses in the area of charitable gift annuities; however, there haven't been any abuses in Montana. She touched on several consumer protection aspects of the bill. She claimed that her department's belief is that this bill will provide them with the opportunity to allow a valuable tool for legitimate charities and focus on organizations that are not legitimate. She noted one other concern is the small charities that are not able to meet the requirement but might want to offer these annuities. While this bill would not allow those small charities the possibility of offering gift annuities, she said they feel that those charities won't have the long-term ability to make good on the annuity payments and those charities would need to utilize a tool such as the Community Foundation or other group to offer the gift annuity.

**Aidan Myhre, Governor's Task Force on Philanthropy**, rose in support of the bill.

**John Scibek, Director of Pledge Giving, University of Montana Foundation**, registered their support of the bill. He said that in offering gift annuities to their constituents, which are alumni and friends of the university, they do not represent the annuities as insurance vehicles nor that they are guaranteed by an insurance guarantor. He stated that they don't compete with commercial annuities because of the charitable component within a gift annuity, which provides a lower payment than a commercial annuity. Small charities that don't otherwise qualify under this

act can issue gift annuities through a community foundation or a commercially insuring annuity.

**Linda Reed, Executive Director, Montana Community Foundation**, a statewide philanthropy services organization that manages 40M dollars on behalf of Montana charities, offered their support of the bill. She said they think it does three important things. Namely, it protects consumers of Montana; it provides adequate oversight of charitable organizations offering charitable gift annuities; and it provides prudent guidance for charitable organizations offering these products to their potential donors.

**Pat Callbeck-Harper, Associate Director, AARP Montana**, shared the results of a survey done by her organization in November, 2002 of the 136,000 AARP members in Montana on consumer fraud issues. While none of those surveyed filed action on their experience, 39% believe they have been victims of consumer swindle or fraud. One in five members believe they have been victims of charity or donation fraud and nearly one in five felt they were victims in the area of insurance products. She went on to say that their members feel they have been victims of agencies that are not regulated. In addition, those surveyed said they are not aware of the consumer protections they have in charitable giving and insurance products. She shared AARP Montana's strong support of the bill, **EXHIBIT (bus04a05)**.

**Mike Munck, Executive Vice President, St. Peter's Hospital**, testified in support of the bill for reasons that were already enumerated.

#### **Opponents' Testimony:**

**Roger McGlenn, Executive Director, Independent Insurance Agents of Montana**, reluctantly rose in partial opposition to the bill. He claimed to not oppose the intent of the bill nor the drafting of the bill with the exception of Section 2 on page 2, line 6.

**Mr. McGlenn** said what his organization opposes is the increasing exemptions from insurance regulation and that every session he sees more and more legislation coming up that this isn't insurance and shouldn't be regulated as insurance. He discussed consumer protections brought up in testimony and stated that he thinks this bill reduces consumer protections. These charitable endowments and annuities are already covered under Title 33, Chapter 20, Part 3 under which this bill is being codified. He continued on to say that virtually all the regulatory oversight of this bill comes prior to these annuities being issued -- the reporting, the qualifications and everything else. If it says under Section 2 (Line 8) that this is not insurance and, in fact, Part 2 of Section 2, which is line 8, we are exempting existing



ones that are currently covered under the regulatory oversight of the insurance department. He explained that this goes a long way to reducing the consumer protection regulatory oversight of these annuities once they are in place. He submitted that people that are encouraged to enter into these charitable gift annuities don't understand what is meant when they are told that this is not insurance. In an effort to try and find some middle ground, he proposed that the committee consider an amendment which would exempt these vehicles from the definition of insurer or insurance carrier. In other words, they are not a company, so they don't have to meet all of the requirements of Title 33 to become an insurance company to offer all of these gifts. But they would still fall under regulatory oversight under the insurance department and could be reviewed on an ongoing basis. With such an amendment, **Mr. McGlenn** said his organization would readily support this bill.

**Jacqueline Lenmark, representing American Council of Life Insurers and American Insurance Association,** offered some technical concerns about the way the bill was drafted, whether it accomplishes the good objectives the were heard from the proponents, and whether it secures the consumer protections that we all support. She went on to share her personal experiences and the value of these annuities. **Ms. Lenmark** stated that with amendment, AIA and the ACLI would stand in support of this legislation.

**Don Allen, Montana Association of Insurance and Financial Advisors,** talked about having discussions with the State Auditor's office and he also shared his concerns about the bill as it stands. He said that in his experience in working with different associations and groups, he is well aware of the importance of the charitable gift endowment programs. He thinks they serve a great purpose and that perhaps there is a middle ground and would like to work toward amending the bill.

**Questions from Committee Members and Responses:**

**SEN. RYAN** asked **Ms. Gerdrum** about her office's statement that there have been no cases of fraud in Montana and yet Exhibit 1 indicates an example of fraud in Arizona, which is an exempt state. **Ms. Gerdrum** explained that the Arizona case listed in Exhibit 1 occurred before they became an exempt state and she went on to give some background. She said that the insurance department has issued opinions over the past 20 years on charitable gift annuities. In the 1980's, **Commissioner Bennett** issued a letter stating that charitable gift annuities were not to be sold unless the charity was fully licensed as an insurance company. It came to the State Auditor's office attention about a

year ago that charities were out selling these charitable gift annuities. **Ms. Gerdrum** went on to say that it is the interpretation of her office's legal staff that the insurance code does require charities to be licensed as insurance companies. Her office called in local charities that have been using this tool for fund raising. They sat down and discussed possible solutions. **Ms. Gerdrum** said that with SB 143 requiring the IRS standard 300K dollar net worth, her office can fully understand who is out there, exempt those that are legitimate charities and have the wherewithal to pay the annuities, and then they can focus their attention on those who are not.

**SEN. RYAN** directed his next question to **Mr. Scibek**. He asked if his University of Montana charity is in violation of the law and how his organization is handling the situation.

*{Tape: 2; Side: B}*

**Mr. Scibek** stated that the way they offer gift annuities and the way they acknowledge and provide disclosure about how gift annuities and the investments/assets are used, they are not in violation. There would, however, be one or two additional terms to add to their disclosures. **SEN. RYAN** followed up by asking if this bill doesn't pass, will they be able to continue to operate and have those annuities available. **Mr. Scibek** said he believes it depends on what the decision about how the annuities would be regulated.

**SEN. GEBHARDT** asked **Ms. Gerdrum** about small charities that don't have the 300K dollar net worth or 100K dollars in cash. Can they accept an annuity as long as it is given through an insurance company? **Ms. Gerdrum** said the charity could accept benefits of an annuity, but they couldn't sell an annuity themselves. They could group together with an organization such as The Community Foundation to sell gift annuities or they could go through a fully licensed insurance company to guarantee and use that process.

**SEN. GEBHARDT** queried **Ms. Reed** about her organization sponsoring an annuity for a small charity and asked if they charge an administrative fee for doing so. **Ms. Reed** answered in the affirmative and said it comes out of the proceeds of the annuity itself. Their administrative fee is .9 percent.

**SEN. COCCHIARELLA** asked **Ms. Lenmark** if the St. Pete's Foundation is a fully licensed insurance company. **Ms. Lenmark** did not think so. **SEN. COCCHIARELLA** asked if that is the case, is the foundation operating outside the law and doesn't this bill bring people into some kind of review? **Ms. Lenmark** replied that she

thinks that is the intent of the bill and her concern is that the review of the charity is before the fact only and then it is exempted by the terms of the act from the insurance company. Her concern was whether the bill gives the State Auditor the authority to come in later and discipline a charity for some violation. She also wanted to say that there were comments made about scams, but she thinks there is another problem and reason that we should want the insurance commissioner to regulate. It is because sometimes companies or entities simply fall into financial difficulty and it doesn't have anything to do with an intent to scam the customer or consumer.

**SEN. RYAN** questioned the wording that states "over one or two lives." **SEN. BOHLINGER** answered that his belief is that the term means a husband and wife. **Ms. Gerdrum** further explained the wording.

**SEN. ANDERSON** asked **Ms. Gerdrum** to explain the concerns with the exemptions of the insurance requirement from her office. **Ms. Gerdrum** explained that charities file with her office listing the criteria to be exempt. When her office receives a complaint or has some reason to believe that a charity does not meet the criteria, then they don't qualify for the exemption. **SEN. ANDERSON** said that even though they are exempt from the insurance requirement, they could still be regulated under the law and he did not understand how that would work. **Ms. Gerdrum** stated they are exempt as long as they continue to meet the criteria. In the event that they no longer meet the criteria, it's incumbent upon them to stop issuing the annuities.

**Closing by Sponsor:**

**SEN. BOHLINGER** closed by saying that he would not want to come forward with a bill that would expose Montanans, those with generous hearts, to an opportunity for fraud. Nor would he want to make it easy for someone to scam a generous-spirited Montanan. He felt the concerns raised are good and hoped the criteria that were established would be sufficient safeguards. What the bill would do would bring an overview to the people who presently operate outside the law. He stated **Mr. McGlenn** and **Ms. Lenmark** raised some good concerns, in particular, **Mr. McGlenn's** proposal of an amendment to exempt these vehicles from the need to be licensed to sell insurance and offered to talk with him to discuss an amendment. **SEN. BOHLINGER** assured **CHAIRMAN MAHLUM** that he would coordinate with **Mr. McGlenn** and **Ms. Lenmark** to make sure all of the problems are taken care of before this bill comes before executive action.

HEARING ON SB 152

Sponsor: SENATOR VICKI COCCHIARELLA, SD 32, Missoula

Proponents: Neil Peterson, Department of Revenue; Mark Staples, attorney representing the Montana Tavern Association; Matt Ellis, Missoula Osprey baseball team; Bill Kennedy, Yellowstone County Commissioner; Bill Johnston, Montana University System lobbyist; Bob Pavlovich, citizen from Butte; Mark Koubre, Billings Exchange Club; Steve Nitz, Downtown Exchange Club; Mark Venner, Breakfast Exchange Club.

Opening Statement by Sponsor:

**SEN. COCCHIARELLA** asked committee members to assume they're vintners of the finest wine in the whole world, because they will have to put a cork in the bottle and pass on this bill. She said that the bill deals with special permits and the vat is out there and filled with grapes and then people come along and are issued special permits. The special permit is held by an organization, usually a temporary situation, where they don't intend to deal with ongoing liquor sales. But some people come along down the path toward the vat and get into the vat with dirty feet and then walk back out and back in. What she said they are trying to do with this bill is limit and protect people who have licenses in this state who are in business on an ongoing basis, but provide some regulation and oversight to the permit, sales of permits for selling beer and wine. She said that, in some instances, people have tried to overuse special permits when they should be licensed; and, in some instances, people have interpreted the law in a way that makes it difficult for local law enforcement to know what is happening at a site where there is a special permit. According to **SEN. COCCHIARELLA**, the reason she used the grape crushing analogy was because there were several entities in the room who worked hard in bringing their issues into the bill and getting their position clarified. She shared that they put their heart and soul into the bill and its amendments. She said there were amendments that would be presented. **SEN. COCCHIARELLA** encouraged committee members to pass SB 152 and its proposed amendments.

Proponents' Testimony:

Neil Peterson, Department of Revenue, shared that **SEN. COCCHIARELLA** brought the bill at their request. He distributed his testimony, **EXHIBIT (bus04a06)**.

{Tape: 3; Side: A}

**Mr. Peterson** explained that the Grizzly Athletic Booster Club has used permits, and more amendments are needed. He explained the amendments.

**Mark Staples, attorney representing the Montana Tavern**

**Association**, said special permits were introduced for special events for non-licensed groups. Nobody ever tested their need or justification for this, but said he didn't characterize anyone in the room as being abusive of the process. **Mr. Staples** thanked **Mr. Peterson** for his efforts to bring about the bill and amendments and his diplomacy, **EXHIBIT (bus04a07)**.

**Matt Ellis, Missoula Osprey baseball team**, offered their support of the bill.

**Bill Kennedy, Yellowstone County Commissioner**, also said they support the bill.

**Bill Johnston, Montana University System lobbyist**, asked for consideration to add to Section B, "Montana Accredited Post-Secondary Education institution." He said University of Montana and other state university campuses are not viable 501(c)(3) organizations.

**Bob Pavlovich, citizen from Butte**, agreed with the bill and asked that the amendments be approved as well.

**Mark Koubre, Billings Exchange Club**, spoke in favor of the legislation.

**Steve Nitz, Downtown Exchange Club**, stood as a proponent of the bill.

**Mark Venner, Breakfast Exchange Club**, said he supports the bill and would like to see it pass.

**Questions from Committee Members and Responses:**

**SEN. ROUSH** asked **Mr. Peterson** about the time frame in obtaining the special permit. Does the permit have to be obtained in Helena or at the local level? **Mr. Peterson** explained that it is a two-step process. You have to get a form to request a special permit. Then you have to take it to your local law enforcement agency and they sign off on the bottom saying that they approve of the event serving alcohol. The permit is then sent to the Department of Revenue and the turn around time is usually the same day for return to the organization. The permit needs to be posted at the event location.

**SEN. MAHLUM** wondered if you can electronically apply for and receive a permit. **Mr. Peterson** said you can fax in your application.

**SEN. SPRAGUE** asked **Mr. Peterson** why the effective date of July 1 was chosen. **Mr. Peterson** replied that as part of this whole negotiation and discussion regarding special permits, his department is also having a rule change involving catering that will allow licensees who have a catering endorsement to share revenue from that event with certain types of organizations, basically non-profits. Therefore, his department wanted to marry the two.

**SEN. GEBHARDT** observed that he is glad all of the people involved worked out the differences and issues of the bill. He said he appreciates their work.

**Closing by Sponsor:**

**SEN. COCCHIARELLA** recognized the amount of time and effort spent by all of the individuals involved. She said the bill will make it easier for law enforcement and will allow those entities operating events in the state of Montana to be profitable without eroding the base of the local invested licensees. She encouraged the committee to work their magic and pass the bill.

**ADJOURNMENT**

Adjournment: 11:45 A.M.

---

SEN. DALE MAHLUM, Chairman

---

SHERRIE HANDEL, Secretary

DM/SH

**EXHIBIT (bus04aad)**